

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Analytical Principles in Periodic Reporting
(Proposal Three)

Docket No. RM2011-11

PUBLIC REPRESENTATIVE'S COMMENTS
IN RESPONSE TO ORDER NO. 736

(May 18, 2011)

The Public representative hereby provides comments pursuant to Commission Order No. 736. In that order, the Commission established docket number RM2011-11 to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service petition requesting that the Commission initiate an informal rulemaking to consider a proposal to revise the method by which unused stamp and meter revenue reflected in the Postal Service's financial accounts is allocated to single-piece First-Class, Priority, and other mail in its Revenue, Pieces, and Weight (RPW) report. If approved by the Commission, the proposal (herein "Proposal Three") would reallocate stamp and meter revenue to products by distributing Postage-in-the-Hands-of-the-Public (PIHOP) stamp and meter adjustments in proportion to ODIS-RPW sampling revenue.

PIHOP adjustments are made by Postal Service's accounting function to recognize the difference between meter and stamp postage sold, but not used during a

specified time period.¹ Stamp and meter sales are recorded in Postal Service accounts alternatively stamp and meter usage is estimated by the Origin-Destination Information System and Revenue, Pieces and Weight (ODIS-RPW) sampling system. The difference between sales and usage is the adjustment for PIHOP.²

The Postal Service states that the current methodology of distributing revenue to products without regard to indicia (stamp, meter, or any other indicia that makes up the total ODIS-RPW sampling revenue) cause incorrect estimates in the RPW report.³ Specifically, too much stamp PIHOP revenue is being distributed to Priority Mail and too little is distributed to First-Class single piece mail.⁴ Therefore, the Postal Service is asking to change the current methodology used to ‘spread Postage-in-the-Hands-of-the-Public.’⁵ Using FY2011 Quarter 2 as an example, the Postal Service claims that the new methodology would increase Domestic Priority mail revenue from \$1.333B to \$1.368B and decrease First-Class Single letters revenue from \$2.701B to \$2.638B.

Proposal Three request that estimated pieces and weight data are collected as a manual input for the purposes of accurately distributing revenue to mail categories from the PIHOP accounts. The proposed methodology is reasonable, causes minimal impact, and attempts to more accurately distribute PIHOP revenue. This is in line with the Commission’s findings for the Postal Service’s previous proposal amending

¹ PRC Order No. 736, Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (herein “Order No. 736”), May 18, 2011.

² Id., at 4.

³ Id., at 6

⁴ Id., at 7

⁵ Id., at 12

analytical principles and methodologies.⁶ Further, the Postal Service mentions the increasing trend in PIHOP liability since the introduction of the Forever Stamp.⁷ The current methodology adds downward pressure on product revenue (in this case Priority Mail) which also affects other products estimated by the ODIS-RPW sampling system.

For the above-mentioned reasons, the Public Representative recommends Commission approval of Proposal Three. The Public Representative respectfully submits these comments for the Commission's consideration.

Respectfully submitted,

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⁶ Order Concerning Analytical Principles Used in Periodic Reporting (Proposal Two), Docket No. RM 2011-10, Issued June 20, 2011, at 4 (“[T]he Commission approves Proposal Two. The Commission finds that each of the proposed changes to the NSA cost models is reasonable and has a minimal impact on the affected cost models.”)

⁷ Proposal Three at 4. (“[S]ince the introduction of Forever Stamps, PIHOP liability for stamps has been generally increasing, as the public appears to be holding stamps for longer periods prior to using them.”)